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Message Text

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ACTION EUR-12

INFO OCT-01 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGR-05

AID-05 CIAE-00 COME-00 EB-07 INR-07 IO-11 LAB-04

NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01 CEA-01

ISO-00 SAM-01 AF-06 ARA-06 EA-07 NEA-10 /107 W
---------- 036762
R 021804Z APR 76
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 921
INFO ALL EC CAPITALS 1960
USMISSION USUN NEW YORK

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E.O. 11652: N/A
TAGS: UNCTAD, EEC
SUBJECT: UNCTAD IV -- COMMISSION "STRATEGY PAPER"

1. BEGIN SUMMARY. THE COMMISSION HAD ADOPTED AN UNCTAD IV "STRATEGY PAPER" FOR EC COUNCIL CONSIDERATION. IT PROPOSES POSITIONS ON MAJOR ISSUES SUCH AS COMMODITIES, TRANSFER OF RESOURCES, LDC DEBT AND THE TRANSFER OF TECHNOLOGY. IT URGES THE EC TO STRIVE FOR A REASONABLE MEASURE OF SUCCESS AT NAIROBI, IN COORDINATION WITH GROUP B AS FAR AS POSSIBLE, AND RECOMMENDS THAT THE EC ADOPT AN OVERALL STRATEGY BASED ON THE DIFFERENTIAL APPLICATION OF VARIOUS DEVELOPMENT INSTRUMENTS. END SUMMARY.

2. THE MISSION HAS OBTAINED THE TEXT OF THE UNCTAD IV "STRATEGY PAPER" APPROVED BY THE EC COMMISSION MARCH 31 AND SENT TO COREPER FOR COUNCIL CONSIDERATION. THE DOCUMENT TAKES ACCOUNT OF THE RECENT TDB MEETING IN GENEVA, OF THE RECENT CIEC SESSIONS, AND OUTLINES POSSIBLE DECISIONS TO ENABLE THE EC TO PARTICIPATE EFFECTIVELY AT NAIROBI.THE PAPER IS ORGANIZED UNDER FOUR HEADINGS: RESULTS OF THE TDB; UNCTAD IV AGENDA AND ORGANIZATION; LIMITED OFFICIAL USE

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MAJOR ISSUES; AND STRATEGY FOR NAIROBI. THIS MESSAGE SUMMARIZES

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THE DOCUMENT WHICH HAS BEEN TRANSMITTED TO GENEVA, USOECD AND
EUR/RPE: CASEY.

3. RESULTS OF THE TDB. THE COMMISSION NOTES THAT THE TDB
RESULTS WERE "DISAPPOINTING BUT PREDICTABLE." THE 77 STUCK
TO THE MANILA TEXTS, THE UNCTAD SECRETARIAT'S IDEA OF "PRE-
NEGOTIATION" WAS NOT REALIZED, AND EC UNITY WAS STRAINED,
I.E., THE NETHERLANDS' STATEMENT ON THE COMMON FUND.
NEVERTHELESS, THERE WERE SOME POSITIVE FEATURES: THE EC WORKED
EFFECTIVELY THROUGH THE GROUP B SYSTEM; THERE WAS SOME AGREEMENT
(E.G., TRANSFER OF TECHNOLOGY), AND CLARIFICATION OF GROUP 77
POSITIONS; AND, "LARGELY THANKS TO THE COMMUNITY", GROUP B
TABLED AN IMPROVED COMMODITIES PAPER.

4. UNCTAD IV AGENDA AND ORGANIZATION. THE PAPER STATES THAT THE
COMMUNITY MUST CONTINUE TO WORK THROUGH THE GROUP B SYSTEM
"AS FAR AS POSSIBLE" AND THAT COORDINATION SHOULD BE HANDLED VIA
WORKING GROUPS IN GENEVA, AT THE APRIL 12-15 OECD AD HOC GROUP
AND AT NAIROBI. THE PAPER NOTES THAT "THE COMMUNITY MAY FIND IT
NECESSARY TO ASSERT ITS IDENTITY AS SUCH IF GROUP B AGREEMENT
ON IMPORTANT ISSUES, E.G., COMMODITIES, CANNOT BE SUSTAINED."
CONCERNING CONFERENCE LEADERSHIP, IT WILL BE IMPORTANT FOR GROUP
B, AND WITHIN GROUP B, FOR THE COMMUNITY, TO SECURE ONE OF THE
TWO OR THREE CENTRAL COORDINATING POSTS (PRESIDENT OF THE CONFERENCE
AND PRESIDENT AND RAPPORTEUR OF THE GENERAL COMMISSION), AS
WELL AS ONE OR TWO OF THE POSTS OF CHAIRMAN AND RAPPORTEUR OF
THE WORKING GROUPS.

5. MAJOR ISSUES, COMMODITIES. THE TDB GROUP B DOCUMENT FALLS
SHORT OF THE GROUP OF 77 DEMANDS (ESPECIALLY ON FINANCING),
BUT NEVERTHELESS IS AN IMPORTANT STEP FORWARD. THE REMAINING
PROBLEMS ARE: (A) THE AMBITION OF UNCTAD AND THE GROUP OF 77 TO
"RESTRUCTURE" RATHER THAN IMPROVE THE FUNCTIONING OF COMMODITY
MARKETS; (B) THE PROPOSAL FOR A COMMON FUND; (C) INDEXATION;
AND (D) THE MORE FAR-REACHING, LESS SELECTIVE FORMS OF EXPORT
EARNINGS STABILIZATION SOUGHT BY THE UU. THE EC "NEEDS TO TAKE
A CLEARER STAND ON FINANCING (BY ACCEPTING JOINT CONSUMER-
PRODUCER LIABILITY), ON IDEXATION, AND RELATED ISSUES AND ON
EXPORT EARNINGS STABILIZATIONS." THE COMMISSION RECOMMENDS
THAT THE EC PRODUCE AN OVERALL PROGRAM WHICH IN PART MEETS THE
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77'S DEMANDS. SUCH A PROGRAM SHOULD INCLUDE A MORE PRECISE
TIMETABLE, A LIST OF PRIORITY PRODUCTS, AN INDICATION OF THE
MEASURES TO BE APPLIED, A FORMULATION ON FINANCE AND THE
ELEMENTS OF AN AGREED DECLARATION ON OVERALL COMMODITY OBJECTIVES.

6. MANUFACTURES. THE COMMUNITY'S POSITION ON GSP IS SATISFACOTRY
AND IT IS NOW PREPARING A TEXT ON GSP TO PROPOSE TO ITS GROUP B
PARTNERS. THE EC COULD SHOW PROGRESS IN THE MTN BY TABLING ITS

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TROPICAL PRODUCTS OFFER AND THROUGH PROGRESS IN THE TARIFF GROUP
FOR SPECIAL CONSIDERATION OF LDC INTERESTS. WITHOUT PROGRESS IN
THE MTN IT WILL BE DIFFICULT TO RESIST THE TENDENCY OF THE 77
TO INSERT UNCTAD INTO THE NEGOTIATING PROCESS.

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AGR-05 AID-05 CIAE-00 COME-00 EB-07 INR-07 IO-11

LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01

CEA-01 SAM-01 AF-06 ARA-06 EA-07 NEA-10 /107 W
---------- 036845
R 021804Z APR 76
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TO SECSTATE WASHDC 922
INFO ALL EC CAPITALS 1961
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7. TRANSFER OF REAL RESOURCES AND DEBT. THE TDB PRODUCED LITTLE
PROGRESS. THE EC ITSELF HAS NOT REACHED A COMMON POSITION EITHER
ON VOLUME OR TERMS OF AID; IT HAS FALLEN SHORT ON AID TO NON-
ASSOCIATE STATES, FOOD AID AND AN IFAD CONTRIBUTION. EXPANSION OF
THE IMF COMPENSATORY FINANCING FACILITY IS A VERY POSITIVESTEP,
HOWEVER, THE EC POSITION IN THIS GENERAL AREA REQUIRES GREATER
DEFINITION AND IS UNDER REVIEW. ON DEBT, THE PAPER NOTES THAT
INDUSTRIALIZED COUNTRIES NEED TO MAINTAIN THE CREDIT WORTHINESS
OF MAJOR G-77 GRADERS. THE COMMISSION SUGGESTS THAT 1) THE EC
SHOULD AGREE TO THE CONVENING OF A DEBT CONFERENCE; 2) PREVENTIVE
MEASURES SHOULD BE ADOPTED (INCLUDING AN EARLY WARNING SYSTEL;
AND 3) A SET OF GUIDELINES SHOULD BE DEVELOPED FOR A CASE-BY-CASE
APPROACH TO INDEBTEDNESS.

8. TRANSFER OF TECHNOLOGY. THE PAPER NOTES THAT THE EC SUPPORTS
STRENGTHENING THE TECHNOLOGICAL CAPACITY OF THE LDCS. THE
COMMUNITY SHOULD STRIVE FOR A CONSENSUS ON A WORK PROGRAM AND

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PERHAPS AGREEMENT ON A COMPREHENSIVE BUT NON-BINDING CODE OF
CONDUCT.

9. LEAST DEVELOPED, ISLAND AND LAND-LOCKED COUNTRIES. CLARIFICATION
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IS NEEDED ON COUNTRIES WHICH ARE ELIGIBLE FOR SPECIAL MEASURES.
DEVELOPMENT MEASURES SHOULD BE ADAPTED TO PARTICULAR LDC SITUATIONS,
INCLUDING THE CONCENTRALION OF AID AND THE USE OF SELECTIVE TRADE
MEASURES.

10. EAST/SOUTH RELATIONS. IN THE COMMISSION'S VIEW THIS ISSUE
WILL BE MORE IMPORTANT AT UNCTAD IV THAN PREVIOUSLY. THE G-77 HAS
CHALLENGED GROUP D TO COME FORWARD WITH A SPECIFIC RESPONSE ON
THE 1.0 PERCENT ODA TARGET (USSR NET FLOWS ARE CURRENTLY 0.05
PERCENT), AND HAS CALLED FOR A RELAXATION OF THEIR TRADE
RESTRICTIONS. GROUP B SHOULD CONTEST THE EASTERN BLOC VIEW THAT IT
HAS NO RESPONSIBILITY IN THIS AREA AND SHOULD HIGHLIGHT GROUP
D'S INADEQUATE EFFORTS.

1. INSTITUTIONS. THE EC SHOULD SUPPORT A CENTRAL ROLE FOR
UNCTAD IN DISCUSSING DEVELOPMENT ISSUES, NOTABLY COMMODITIES,
IN A WAY WHICH DOES NOT INFRINGE THE MANAGERIAL ROLES OF
EXISTING INTERNATIONAL FORA.

12. IV STRATEGY FOR NAIROBI. THE COMMISSION STRESSES THE
IMPORTANCE TO THE EC OF A "REASONABLE MEASURE OF SUCCESS" AT
NAIROBI BECAUSE UNCTAD REMAINS THE MAIN FORUM FOR DISCUSSING THE
BROAD RANGE OF DEVELOPMENT ISSUES AND IS LINKED WITH PROGRESS
IN THE CIEC. EC POSITIONS SHOULD CONTINUE, AS FAR AS POSSIBLE,
TO BE EXPRESSED THROUGH GROUP B. THE EC IS NEVERTHELESS THE ONLY
"GROUP" WHICH CAN STIMULATE AND DEFINE POSITIONS WITHIN
GROUP B AND THE OECD. ITS POSITION SHOULD CONFORM WITH ITS
POSITION IN CIEC AND BE PART OF AN OVERALL STRATEGY. THE GROUP OF
77 REPRESENTS MANY DIFFERENT INTERESTS. THE COMMISSION THEREFORE
RECOMMENDS THAT THE COMMUNITY ADOPT A STRATEGY BASED ON DIFFERENTIAL
APPLICATION OF DEVELOPMENT INSTRUMENTS, AS FOLLOWS:

-- FOR ALL LDCS -- IMPROVED MARKET ACCESS, PROMOTION OF INDUSTRIAL
DEVELOPMENT AND OF EXPORTS;

-- FOR RAW MATERIAL PRODUCERS -- AGREEMENT ON A LIST OF COMMODITIES,
ON A PRECISE TIMETABLE, ON THE CONSUMER PRODUCER FINANCING OF
COSTS ARISING FROM COMMODITY AGREEMENTS AND ON EXPORT
EARNINGS STABILIZATION;
-- FOR ADVANCED LDCS -- AGREEMENTS ON MEASURES TO STRENGTHEN
THEIR TECHNOLOGICAL CAPACITY, ON A COMPREHENSIVE BUT NON-
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BINDING CODE OF CONDUCT, AND AN EARLY WARNING SYSTEM ON DEBT;

-- FOR POORER LDCS -- AGREEMENT ON A MORATORIUM ON OFFICIAL DEBT, TOGETHER WITH OTHER MEASURES AS MAY BE DEFINED BEFORE NAIROBI (E.G., AID FOR THE NON-ASSOCIATES, SPECIAL AID AND TRADE MEASURES FOR THE POOREST, AND AID VIA THE IFAD). HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, NATURAL RESOURCES, LESS DEVELOPED COUNTRIES, BRIEFING PAPERS, MEETING REPORTS, TECHNOLOGICAL EXCHANGES, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU03410
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760125-0340
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197604105/aaaadlyl.tel
Line Count: 232
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAR 2004 by ShawDG>; APPROVED <31 MAR 2004 by GolinoFR>
Review Markings:

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US Department of State
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04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UNCTAD IV -- COMMISSION "STRATEGY PAPER"
TAGS: EAID, PORG, BE, UNCTAD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006